



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

22 SEP 1996

REPLY TO
ATTENTION OF:

CERM-F

MEMORANDUM FOR Laboratory Directors

SUBJECT: Accounting Treatment for Patents and Royalty Income,
Civil Works

1. Reference DFAS-IN 37-1, Chapter 25, Paragraph 25-22i.
2. The National Technology Transfer and Advancement Act of 1995, PL 104-113, dated 7 March 1996, grants the Corps of Engineers Laboratories the authority to retain royalty income received from licensing or the assignment of inventions sold to the private and public sector. This new law amended the Stevenson-Wydler Technology Innovation Act of 1980. The office of the Domestic Technology Transfer Program Manager is responsible for managing distribution of royalties from Army license agreements.
3. The referenced publication, allows the Corps of Engineers to develop accounting procedures for royalties received by any of the four Civil Works funded laboratories. Upon the receipt of a royalty check, the following guidance must be performed jointly between the local F&A Officer (unless supported by the USACE Finance Center) and the Director of the Laboratory responsible for the invention.
 - a. Proceeds received will be deposited into the activity's suspense account 96F3875 and refunded out each year with the first \$2,000 paid to the inventor or co-inventor. Thereafter at least 15% will be paid to any individuals, not to exceed \$150,000 in a given year.
 - b. The laboratory employees (other than the inventor(s)) who substantially increased the technical value of the invention may be provided appropriate incentives.
 - c. The balance of the royalties or other income will be shared among the other Corps laboratories per the prescribed percentages and subject to HQ, USACE approval. The majority of the remaining proceeds may be used at the laboratory discretion which produced the invention based on the following:

(1) To reward scientific, engineering, and technical employees of the laboratory, including developers of sensitive or classified technology, regardless of whether the technology has commercial application.

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(2) To further scientific exchange among the other
Corps laboratories.

(3) For education and training of employees consistent
with the research and development missions and objectives of the
laboratory, and for other activities that increase the potential
for transfer of the technology of the other laboratories.


(4) For payment of expenses incidental to the
administration and licensing of intellectual property by the
laboratory with respect to inventions made at that laboratory,
including the fees or other costs for the services of other
laboratories, persons, or organizations for intellectual property
management and licensing services.

(5) For scientific research and development consistent
with the research and development missions and objectives of the
laboratory.

4. Any royalties or other income not refunded out of the
suspense account 96F3875 by the end of the second fiscal year
following the fiscal year in which the income was received must
be transferred into the Treasury account. Also, royalty income
must be footnoted as part of your local CFO financial statements
as intangible assets.

5. This is an interim policy change until ER 37-2-10, chapter 4,
paragraph 4-13w(3) is revised and published. For questions,
please contact Arland Luster at 202-761-1865.

FOR THE COMMANDER:


STEPHEN COAKLEY
Deputy Chief of Staff,
Resource Management

CF: CEIG,
Commanders
and RMO's